

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION W-4595
May 11, 2006**

R E S O L U T I O N

**(RES. W-4595), GRAEAGLE WATER COMPANY, INC. (Graeagle).
ORDER AUTHORIZING A GENERAL RATE INCREASE
PRODUCING ADDITIONAL ANNUAL REVENUE OF \$84,810 OR
23.2% IN 2005 AND A CONSUMER PRICE INDEX (CPI) INCREASE
PRODUCING ADDITIONAL REVENUE OF \$15,334 OR 3.4% IN 2006.**

SUMMARY

By Advice Letter No. 43 received June 17, 2005, Graeagle requested a general rate increase in gross annual revenues of \$88,800 or 25% for Test Year 2005 plus a CPI rate increase effective on the filing date. This resolution grants a general rate increase of \$84,810 or 23.2% in 2005 and a 3.4% CPI of \$15,334 for 2006. This increase will provide a 11.4% rate of return on a rate base of \$944,690 in the test year. The Water Division accepted this advice letter as complete for filing on August 18, 2005.

BACKGROUND

Graeagle requested authority under Section VI of General Order 96 and Section 454 of the Public Utilities Code to increase rates for water service to produce additional revenues of \$88,800 or 25.0% in 2005 plus a CPI increase. Graeagle's request shows 2005 gross revenue of \$366,190 at present rates increasing to \$457,740 in 2005 at proposed rates to produce a rate of return on rate base of 10.6%. Graeagle requested that pursuant to Commission Res. No. W-4540, dated June 16, 2005, the rate increase be made effective as of the filing date of the advice letter.

Graeagle estimates that it will serve approximately 697 flat rate customers and 185 metered customers in test year 2005. In addition, Graeagle maintains 5 private and 86 public fire protection services in its service area.

Graeagle serves the unincorporated community of Graeagle, approximately fifty miles north of Truckee on State Route 89, Plumas County. The present rates were established on April 14, 2005 by Res. No. W-4527, which authorized a 36-month surcharge of recovery of its unanticipated expense memorandum account producing an increase of

\$58,124 or 11.04% for a total of \$114,373. The last general rate increase became effective January 18, 2001, pursuant to Res. No. W-4244, which authorized an increase in rates of \$30,224 or 9.59%, and a rate of return of 12.75%.

NOTICE AND PROTEST

A notice of the proposed rate increase was mailed to each customer on August 18, 2005. Only one complaint letter was received by the Branch, objecting to the magnitude of the increase.

A public meeting was held on September 9, 2005, at the Community Hall in Graeagle. The Branch's representative explained Commission rate-setting procedures and the utility's representative explained the need for the rate increase. Four customers attended the meeting. Customers complained of the magnitude of the rate increase and suggested that Graeagle should increase their costs gradually through CPI increases. Apart from those complaints, customers generally agreed that the water company was well run.

DISCUSSION

Summary of Earnings

The Water Division's Water Branch (Branch) made an independent analysis of Graeagle's summary of earnings and issued its report in January 2006. Appendix A shows Graeagle's and the Branch's estimates of the summary of earnings at present, requested, and recommended rates. Appendix A also shows differences between Graeagle's and the Branch's estimates in operating expenses.

Graeagle's requested rates would produce a rate of return of 10.6%. Graeagle reduced its original request of a \$128,300 increase or 35.1% to \$88,800 or 25.0% so as to not over burden its customers because Graeagle had a rate increase on April 19, 2005.

The summary of earnings in Appendix A shows an increase of \$74,810 or 20.4% at the Branch's recommended rates.

On March 31, 1992, the Commission issued Decision (D.) 92-03-093 authorizing Class C and D water utilities to file each year by advice letter for a rate increase based on the most recent year-end increase in the CPI for all Urban Consumers announced by the Bureau of Labor Statistics, U.S. Department of Labor. The CPI for 2005 is 3.4%. Since the test year 2005 rates have not been adopted by the Commission in 2005, the year now is 2006 and the utility has requested a CPI rate increase over the adopted rates revenue

for test year 2005, the rates proposed by the Branch to be effective in 2006 include the 3.4% CPI increase and are included herein in Appendix B.

D.92-03-093 also requires the Division to recommend the higher profit calculated by the operating ratio (rate of margin) method or rate of return method. Using the rate of margin method, the estimated revenue requirement is \$408,138.

The Division's estimate of Graeagle's revenue requirement using the rate of return on rate base method is \$451,000 resulting in a larger estimated profit than the return of margin method of requested revenue of \$408,138. According to D.92-93-093, the Division must recommend the higher profit.

Since the rate of margin is less than the rate of return calculation, the latter will be used for implementing new rates.

Graeagle was informed of the Branch's differing views of the summary of earnings and agrees with the Branch's findings.

Effective Date of Rates

Graeagle requested that pursuant to Commission Res. W-4540, the rate increase to go into effect retroactively to the date of the advice letter filing. However, the Commission resolution neither mandates nor implies that the rates will be increased retroactively to the date of the advice letter filing. For this reason and the reason stated below, the Branch opposes the rate increase to go into effect retroactively before the Commission approves the rates. Next, it is well established that ratemaking is done on a prospective basis. The specific bar against retroactive ratemaking stems from the clear and unambiguous language of Public Utilities Code Section 728. As stated in Section 728:

"Whenever the commission, after a hearing, finds that the rates... demanded, observed, charged, or collected by any public utility for or in connection with any service, product, or commodity ... are insufficient, unlawful, unjust, reasonable, ... the commission shall determine and fix, by order, the just, reasonable, or sufficient rate ... to be thereafter observed and in force." (Emphasis added.)

The California Supreme Court has repeatedly affirmed the prohibition against retroactive ratemaking. (See, e.g. (Pacific Tele. & Tel. Co. v. Public Utilities Commission (1965) 62 Cal. 2d 634, 655; City of Los Angeles v. Public Utilities Commission (1972) 7 Cal. 3d 331,357.).

Conservation

The utility's current rate structure is made up of six schedules: Nos. 1, General Metered Service; 2, General Flat Rate Service; 2S, Seasonal Flat Rate Service; 4, Private Fire Protection Service; 5, Public Fire Protection Service; and 6, Seasonal Flat Rate Irrigation Service.

The Commission, through its Water Action Plan, encourages conservation, metering of all its services under certain economic conditions. In the last general rate increase, seasonal rates were partially phased out and the Branch recommended that Graeagle propose to eliminate seasonal rates in its next rate case. Graeagle should study water conservation, meter conversion, and elimination of seasonal rates and report back to the Commission within 90 days after the effective date of this resolution.

Bill Impact

At the Branch's recommended rates for test year 2005 the bill for a typical annual flat rate residential customer would increase from \$352.90 per year to \$449.56 per year. The bill for a seasonal flat rate customer would increase from \$335.00 per year to \$426.75 per year. The typical bill for a 5/8 x 3/4-inch metered customer at average water use would increase from \$25.54 to \$32.54 per month. A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

COMPLIANCE

Graeagle files Annual Reports regularly and there are no other outstanding Commission orders. However, Graeagle needs to update their Preliminary Statement; Schedule UF, PUC Reimbursement Fee; Rules Nos. 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; 10, Disputed Bills; and 11, Discontinuance and Restoration of Service; and Form 2, Customer's Deposit Receipt.

COMMENTS

Public Utilities Code Section 311(g) (1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g) (1) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

No comment was received by the Water Division.

FINDINGS

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The adopted rates for test year 2005 did not go into effect in 2005.
3. The Branch recommends that the rates to go into effect now in 2006 include a Consumer Price Index increase of 3.4%.
4. Commission Resolution W-4540 neither mandates nor implies that the rates will be increased retroactively to the date of the advice letter filing.
5. The rates proposed by the Branch (Appendix B) are reasonable and should be adopted.
6. The quantities (Appendix D) used in preparation of this report are reasonable and should be adopted.
7. Graeagle should file a report with the Water Division to address water conservation, meter conversion, and elimination of seasonal rates.
8. Graeagle should update the following rules in its tariff book: Preliminary Statement; Schedule UF, PUC Reimbursement Fee; Tariff Rules Nos. 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; 10, Disputed Bills; and 11, Discontinuance and Restoration of Service; and Form 2, Customer's Deposit Receipt.
9. The rate increase proposed by the Branch is justified and the resulting rates are just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for Graeagle Water Company, Inc. to file an advice letter incorporating the summary of earnings and the revised schedules attached to this resolution as Appendices A and B respectively, and concurrently cancel its presently effective rate schedules: Nos. 1, General Metered Service; 2, General Flat Rate Service; 2S, Seasonal Flat Rate Service; 4, Private Fire Protection Service; 5, Public Fire Protection Service; and 6, Seasonal Flat Rate Irrigation Service. Its filing shall comply with General Order 96-A. The effective date of the revised rate schedules shall be five days after the date of its filing.

May 11, 2006

2. Graeagle Water Company is authorized to increase its revenue by \$84,810 for test year 2005 and an additional Consumer Price Index increase of \$15,334 for 2006.
3. Graeagle Water Company's request for the rate increase to be made effective as of filing date of the Advice Letter No. 43 is denied.
4. Within 90 days after the effective date of this resolution Graeagle Water Company shall file a report with the Water Division to address water conservation, meter conversion, and elimination of seasonal rates.
5. Graeagle Water Company, Inc. shall update the following rules and form in its tariff book: Preliminary Statement, Schedule UF, PUC Reimbursement Fee; Tariff Rules Nos. 3, Application for Service; 5, Special Information Required on Forms; 7, Deposits; 10, Disputed Bills; and 11, Discontinuance and Restoration of Service; and Form 2, Customer's Deposit Receipt.
6. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on May 11, 2006; the following Commissioners voting favorably thereon;

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
President

GEOFFREY F. BROWN

DIAN M. GRUENEICH

RACHELLE B. CHONG
Commissioners

Commissioner John A. Bohn, being necessarily
absent, did not participate.

APPENDIX A
Graeagle Water Company
SUMMARY OF EARNINGS - Test Year 2005

Item	Utility Estimated		Branch Estimated		Adopted ¹ Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenue</u>					
Metered Rates	\$76,920	\$96,150	\$76,920	\$92,612	\$92,612
Flat Rates	\$279,040	\$348,800	\$279,040	\$335,964	\$335,964
Public & Private Fire Protection	\$9,900	\$12,380	\$9,900	\$11,920	\$11,920
Other Water Revenues	\$330	\$410	\$330	\$397	\$397
Total	\$366,190	\$457,740	\$366,190	\$451,000	\$451,000
<u>Operating Expenses</u>					
Power	4,320	4,320	4,320	4,320	4,320
Other Volume Related	4,900	4,900	3,006	3,006	3,006
Employee Labor	0	0	0	0	0
Materials	7,530	7,530	5,763	5,763	5,763
Contract Work	138,920	138,920	120,000	120,000	120,000
Water Testing	0	0	3,400	3,400	3,400
Transportation Exp.	9,380	9,380	9,380	9,380	9,380
Other Plant Maintenance	3,080	3,080	3,080	3,080	3,080
Office Salaries	45,280	45,280	40,000	40,000	40,000
Management Salaries	25,000	25,000	25,000	25,000	25,000
Office Services & Rentals	20	20	20	20	20
Office Suppl. & Exp.	4,990	4,990	4,990	4,990	4,990
Professional Services	18,000	18,000	9,730	9,730	9,730
Insurance	6,400	6,400	6,400	6,400	6,400
Regulatory Commission Expense	0	0	2,670	2,670	2,670
General Expenses	3,390	3,390	3,390	3,390	3,390
Subtotal	\$271,210	\$271,210	\$241,149	\$241,149	\$241,149
Depreciation Expense	\$36,820	\$36,820	\$36,820	\$36,820	\$36,820
Taxes other than income	9,840	9,840	9,840	9,840	9,840
State Income Tax	4,194	12,365	6,929	13,542	13,542
Federal Income Tax	6,487	30,071	10,781	37,713	37,713
Total Deductions	\$322,200	\$360,306	\$305,519	\$339,064	\$339,064
<u>Net Revenue</u>	\$43,088	\$100,104	\$60,734	\$101,936	\$101,936
<u>Rate Base</u>					
Average Plant	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
Avr. Accum. Deprec.	645,000	645,000	645,000	645,000	645,000
Net Plant	1,005,000	1,005,000	1,005,000	1,005,000	1,005,000
Less: Contributions	61,040	61,040	61,040	61,040	61,040
Advances	0	0	0	0	0
Plus: Mat'l & Supply	0	0	0	0	0
Working Cash	730	730	730	730	730
Rate Base	\$944,690	\$944,690	\$944,690	\$944,690	\$944,690
<u>Rate of Return</u>	4.56%	10.60%	6.4%	11.4%	11.4%
<u>Rate of Margin</u>	11.8%	30.7%	21.1%	37.4%	37.4%

¹ Rates to be effective in 2006, which are included in Appendix B, include additional revenue of \$15,334 which equals to a 3.4% CPI increase. Thus the 2006 rates are based on a total revenue requirement of \$466,334 (\$451,000 + \$15,334).

APPENDIX B
GRAEAGLE WATER COMPANY

Schedule No. 1
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

In the unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas County.

RATES **

Quantity Rate:

All Water used per 100 cu. ft.....	\$1.191	(I)
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Service Charge:

Per Meter Per Month

For	5/8 x 3/4-inch meter	\$ 18.24	(I)
For	3/4-inch meter	\$ 27.38	
For	1-inch meter	\$ 45.62	
For	1-1/2 inch meter	\$ 91.24	
For	2-inch meter	\$145.98	
For	3-inch meter	\$191.08	
For	4-inch meter	\$343.95	(I)

The Service Charge is a readiness-to-serve charge which is applicable to metered service and to which is added the monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. The established billing cycle for service is every two months.
2. All water sold is subject to a surcharge of \$0.212 per 100 cu. ft. for a period of 36 months beginning the effective date of the advice letter.
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
4. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.

** These rates include an increase of 3.4% Consumer Price Index for 2005.

APPENDIX B

GRAEAGLE WATER COMPANY

Schedule No. 2
GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water furnished on an annual basis.

TERRITORY

In the unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas County.

RATES **

	<u>Per Service Per Year</u>	<u>Surcharge Per Service Per Year</u>
1. For a single-family residence, business establishment, or manager's quarters of a motel or trailer park, including premises.....	\$ 449.56 (I)	\$ 38.47
2. For additional buildings in the same premises and served from the same service connection:		
(1) each residence, cabin, or trailer with housekeeping accommodations.....	\$ 188.09 (I)	\$ 16.09
(2) each hotel or motel room with bathroom facilities only.....	\$ 94.64 (I)	\$ 8.10
(3) each trailer facility with partial plumbing.....	\$ 66.28 (I)	\$ 5.67
1-inch Service.....	\$ 674.32 (I)	\$ 57.70
1-1/2-inch Service.....	\$ 1,033.97	\$ 88.47
2-inch Service.....	\$ 1,438.54	\$123.09
4-inch Service.....	\$ 2,629.83 (I)	\$225.02

SPECIAL CONDITIONS

1. The established billing cycle for service is every two months.
2. All bills are subject to the surcharges set forth above for a period of 36 months beginning the effective date of the advice letter.
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
4. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.

Resolution W-4595
Graeagle/Draft AL/FLC/SNR/PTL/HJL/jlj

May 11, 2006

** These rates include a 3.4% Consumer Price Index for 2005.

APPENDIX B
GRAEAGLE WATER COMPANY

Schedule No. 2S
SEASONAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water furnished on an annual basis.

TERRITORY

In the unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas County.

RATES **

	<u>Per Service</u> <u>Per Year</u>		<u>Surcharge</u> <u>Per Service</u> <u>Per Year</u>
1. For a single-family residence, business establishment, or manager's quarters of a motel or trailer park, including premises.....	\$426.75	(I)	\$36.52
2. For additional buildings in the same premises and served from the same service connection:			
(1) each residence, cabin, or trailer with housekeeping accommodations.....	\$178.34	(I)	\$15.26
(2) each hotel or motel room with bathroom facilities only.....	\$89.17	(I)	\$7.63
(3) each trailer facility with partial plumbing.....	\$62.42	(I)	\$5.34

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than 3/4-inch in diameter.
2. The established billing cycle for service is every two months.
3. The seasonal service charge applies to service during the 8-month period commencing March 16 and ending November 15.
4. All bills are subject to the surcharges set forth above for a period of 36 months beginning the effective date of the advice letter.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
6. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.

** These rates include a 3.4% Consumer Price Index for 2005.

Resolution W-4595
Graeagle/Draft AL/FLC/SNR/PTL/HJL/jlj

May 11, 2006

APPENDIX B

GRAEAGLE WATER COMPANY

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately-owned fire protection systems.

TERRITORY

In the unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas County.

RATES **

Per Month

For each inch of diameter of service connection..... \$4.03 (I)

SPECIAL CONDITIONS

1. The fire protection service shall be installed by the utility and the cost paid for by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall not be more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to the specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage, or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.

** This rate includes an increase of 3.4% Consumer Price Index for 2005.

(continued)

APPENDIX B

GRAEAGLE WATER COMPANY

Schedule No. 5
PUBLIC FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized or incorporated fire districts or other political subdivisions of the State.

TERRITORY

In the unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas County.

RATES**

Per Month

For each hydrant..... \$10.82 (I)

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rate under Schedule No.1, General Metered Service.
2. Relocation of any fire hydrant shall be at the expense of the party requesting relocation.
3. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the specific location at which each is to be installed.
4. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operations of the system.
5. The established billing cycle for service is every two months.
6. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
7. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a new reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.

** This rate includes an increase of 3.4% Consumer Price Increase for 2005.

APPENDIX B

Graeagle WATER COMPANY

Schedule No. 6

SEASONAL FLAT RATE IRRIGATION SERVICE

APPLICABILITY

Applicable to all flat rate water furnished to outside irrigators with service connections larger than 3/4-inch on a seasonal basis.

TERRITORY

In the unincorporated community of Graeagle, and vicinity located approximately 12 miles southwest of the city of Portola, Plumas county.

RATES **

	Per Service <u>Per Year</u>		Surcharge Per Service <u>Per Year</u>
1" Service.....	\$ 449.56	(I)	\$ 38.47
1-1/2" Service.....	\$ 731.21		\$ 62.57
2" Service.....	\$1,016.56		\$ 86.98
4" Service.....	\$1,867.52		\$159.79
Feather River Park Golf Course.....	\$7,236.97	(I)	\$619.23

SPECIAL CONDITIONS

1. The utility may, at its discretion, interrupt service to irrigation customers during the following periods: (Memorial Day Weekend, July Fourth Weekend, or Labor Day Weekend); with such interruptions only to be used in the case that service to other customers would be impacted by continued irrigation. No service should be interrupted for more than four days. No punitive action under Rule 15 should be triggered by excessive use of irrigation water for one week before and one week after any service interruption.
2. The seasonal service charge applies to service during the 8-month period commencing March 16 and ending November 15.
3. The established billing cycle for service is every two months.
4. All bills are subject to the surcharges set forth above for a period of 36 months beginning the effective date of the advice letter.
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
6. In the event that a customer terminates service under this schedule and reinstates service at the same location within 12 months, there will be a reconnection charge equal to the minimum charge which would have been billed had the customer not terminated service.

Resolution W-4595

May 11, 2006

Graeagle/Draft AL/FLC/SNR/PTL/HJL/jlj

** These rates include an increase of 3.4% Consumer Price Increase for 2005.

APPENDIX C
GRAEAGLE WATER COMPANY
COMPARISON OF RATES
Test Year 2005

METERED SERVICE

Meter Size	<u>Per Meter Per Month</u>		Increase	
	<u>Present</u> <u>Rates</u>	<u>Recommended</u> <u>Rates</u>	<u>Amount</u>	<u>Percent</u>
Comparison of average monthly customer bill at present and authorized rates using 1,200 cubic feet of water:				
For 5/8 x 3/4-inch meter	\$25.54	\$32.54	\$7.00	27.41 %

ANNUAL FLAT RATE SERVICE

	<u>Per Connection Per Year</u>		Increase	
	<u>Present</u> <u>Rates</u>	<u>Recommended</u> <u>Rates</u>	<u>Amount</u>	<u>Percent</u>
3/4-inch service	\$352.90	\$449.56	\$96.66	27.39 %

SEASONAL FLAT RATE SERVICE

	<u>Per Connection Per Year</u>		Increase	
	<u>Present</u> <u>Rates</u>	<u>Recommended</u> <u>Rates</u>	<u>Amount</u>	<u>Percent</u>
3/4-inch service	\$335.00	\$426.75	\$91.75	27.39 %

APPENDIX D
GRAEAGLE WATER COMPANY

Page 1
ADOPTED QUANTITIES
Test Year 2005

Expenses:

1. Purchased Power	\$4,320
2. Purchased water	None
3. Insurance Expenses	\$6,400
4. Ad Valorem Taxes	\$9,840
Composite Tax Rate	1.0000%
Assessed Value	\$984,000
5. Water Testing	\$3,400
6. Payroll Taxes	None
7. Number of Service Connections:	
Metered Rate	
5/8 x 3/4-inch meter	177
3/4-inch meter	0
1-inch meter	6
1-1/2 inch meter	0
2-inch meter	0
3-inch meter	1
4-inch meter	1
Subtotal	185
Flat Rate	697
Total	882

APPENDIX D
GRAEAGLE WATER COMPANY
Page 2
ADOPTED QUANTITIES
Test Year 1997

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$451,000	\$451,000
2.	O & M Expenses	\$241,149	\$241,149
3.	Taxes Other Than Income	\$ 9,840	\$ 9,840
4.	Deprecation	\$ 36,820	\$ 36,820
5.	Taxable Income for State Tax	\$163,191	
6.	State Tax	\$ 14,426	
7.	Taxable Income for FIT		\$148,765
8.	Federal Income Tax		\$ 38,830
9.	Total Income Tax		\$ 53,256
California Corporate Franchise Rate		8.84%	
Federal Income Tax Rate			
	On first \$50,000 of taxable income	15%	
	On next \$25,000 of taxable income	25%	
	On next \$25,000 of taxable income	34%	